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## CENTRAL INTELLIGENCE AGENCY

6 September 1949

INTELLIGENCE MEMORANDUM NO. 217

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SUBJECT: CIA comments on [REDACTED] as Amended in November 1948

1. The annexed comments are confined to Part II (Statement of Problem and Assumptions and Political Factors and Economic Factors).
2. Comments are for the most part related specifically to the paragraphs to which they pertain; such general comments as are included have been appropriately inserted at the beginning of major subdivisions. The organization of the comments is, therefore, that of [REDACTED] and they appear as Annex "A" to this memorandum.

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Note: This memorandum has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force.

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The territory and resources of this group would be available, initially at least, to the Anglo-American Powers.

"Israel would be reluctant to give assistance to either the USSR or the Anglo-American Powers, but under pressure would probably acquiesce in the use of its territory and natural resources by the latter."

Para. 9. This apparently presumes that efforts to conclude a South-east Asia Pact associated with the NAP will fail. On the other hand, it is entirely possible that, assuming complete Communist victory in China, such Southeast Asian countries as Burma, Indo-China, and even Indonesia will be either Communist-dominated or at best strictly neutral in 1956.

Para. 10. No comment.

Para. 11. No comment.

Para. 12. While the assumption as stated seems reasonable enough, it is important to note that there is little likelihood of the ERP fully accomplishing its objectives of eliminating the extraordinary European dollar deficit by 1953. This is likely to be a continuing long-term problem, and in default of far more strenuous measures to achieve economic viability than are at present in prospect, Western Europe will still be in economic difficulties in 1956.

Para. 13. Insert (before last sentence):

"Soviet occupation forces may possibly have been withdrawn from Austria, Hungary and Rumania by 1956. Withdrawal of Western occupation forces from Germany will be contingent upon Soviet action."

Para. 14. No comment.

#### Political Factors

##### Soviet Union and Satellites

Para. 15. Para. 1 to 3, Appendix "A" to Part I are not considered valid as a basis for the estimate of Soviet Intentions and Capabilities 1956/57.

Para. 16. Para. 4 to 6, Appendix "A" to Part I are not considered valid as a basis for the estimate of Soviet Intentions and Capabilities 1956/57. It is suggested that the revision of para. 13, Appendix "B" to Part I, as set forth in IM-214, would provide a valid estimate of strengths and weaknesses in 1950. These will be subject to considerable change, largely unpredictable, in the period prior to 1956-57. The strengths, however, can be expected to remain fairly constant provided there is no serious shock, such as might result from Stalin's death, to the regime. Furthermore, the ideological appeal of Communism will be of considerably less significance in 1956-57 if Western policies such as ERP, NAP, etc. have been successful.

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size of the Soviet fleet. Including about 800,000 tons of US Lend Lease tonnage now operated by the Soviet Union, the Soviet fleet totals about 2,600,000 deadweight tons. Granting an abnormally long average utilization of 30 years, therefore, replacements would require about 85,000 tons of new shipping annually. Actually, the Soviet fleet consists predominantly of old vessels, and construction of new tonnage is believed to be far below this figure.

Para. 28. Strategic Significance of Communications. The main strategic strength of the Soviet Union and Satellite countries will lie in their possession of interior lines of communication and in their ability to move economic and military traffic without resort to sea routes. The difference in gauge between Soviet and European railroads is a secondary strategic asset of defensive value. The considerable, but not insuperable, gauge-change difficulties will by 1957 have been largely overcome by the amplification of transloading points, the increased production of convertible rolling stock, and by the preparation of selected routes for rapid conversion from standard to broad gauge.

Considerations of Strategic Significance

Para. 29. No comment.

Allied Nations

General Comment

Footnote (p.7) should include "Norway", "Denmark", and "Iceland".

Para. 30. No comment.

Para. 31. Insert, before final sentence:

"Canadian petroleum by 1956/57 is expected to relieve to some extent dependence on other areas in case of war."

There is now a large laid-up surplus of tankers under Allied control and the Allies possess a huge capacity for expanding tanker tonnage if this became necessary. While the degree of progress in completing pipelines in the Middle East will obviously affect the Allied tanker position, it would now appear that in any event this position will be strong in 1956-57.

Para. 32. Substitute for "France or the Benelux countries" the phrase "Norway or Denmark", and add the following:

"France and Benelux, operating within the framework of Western Union and aided by the Military Assistance Program, will be able to contribute increased supplies of arms and equipment to the military forces of Western Europe but not in quantities sufficient to meet their own requirements."

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The weaknesses of the Soviet Union will be subject to more change than its strengths. Disillusionment and embitterment in the Soviet orbit will probably have increased considerably by that time. The problem of Tito's defection will either have been solved by 1956-57 or will have developed into the primary weakness of, if not an actual threat to, the Soviet regime through the emergence of a rival Communist movement and possibly further defections from the Soviet orbit. In either event, the basic problem of nationalism will continue to plague the USSR, but, without the continued existence of Tito, it will probably lack decisive potency and dynamism. Influence of religious and political groups, separatist tendencies, and demoralization will probably be greater problems for the Soviet Union in 1956-57 than they are at the present time. The continuing necessity for consolidation and integration of non-Russian states will probably be of utmost complexity, provided the problem of Tito has not been solved on terms favorable to the USSR.

While a definite prediction of Soviet strengths and weaknesses for 1956-57 is impossible, it is estimated that, given the success of current Western policies, Soviet strengths will remain relatively constant while Soviet weaknesses will have multiplied.

The effectiveness of resistance forces within the Soviet Orbit will be dependent on the amount of guidance and material support given them by the West, both prior to and subsequent to initiation of hostilities, and on the hope of early liberation by Western Forces.

#### Allied and Neutral Nations

##### General Comment

*NAP*

The strategic contribution to be expected from continental Europe would not be materially improved by 1956/57. Despite the AP, ERP, and Western Union, it is unlikely that Western European military recovery will have progressed to the point where more than a delaying action can be made along the Rhine line. Unless Western Europe, particularly France, undertakes far greater defense efforts and expenditures and receives much more US aid than is presently in prospect, it will not have an effective defense system by that time. Similarly, barring much greater economic achievement and continued ERP aid beyond 1952, Western Europe will still be in economic difficulties in 1956. These in turn will adversely affect the diversion of reserves to building up defense.

Such is the pace of German political revival that it would be well to include a subparagraph on the estimated German position. It seems probable that Germany will be a major factor to reckon with in 1956/57. If Germany were to be substantially independent by 1956, with occupation forces withdrawn and possibly even the Eastern and Western zones re-united, the attitude of Germany would have a <sup>major</sup> minor influence on Soviet plans.

It is also possible that the situation in Southeast Asia will have changed substantially by 1956/57. Given the Communist victory in China, the

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accelerated independence movements, and the weakness of the Western flank in Asia, it is possible that 1956/57 may see a reorientation of much of this area toward strict neutrality or even domination by the USSR. This may warrant an additional subparagraph.

Para. 17. (a) Amend to read: "through Western Union, the North Atlantic Pact, the military Assistance Program, and ECA".

(b) Delete "and internal dissension in France will have diminished."

(d) Delete "Italy".

Delete reference to Greece in view of the improvement in the situation already foreseen for 1950. Inasmuch as the Anglo-American Powers can then rely upon Greek assets, it is recommended that Greece be added to Paragraph 17 (b), or better, that a new and separate paragraph be devoted to Greece, reading somewhat as follows:

"Greece will have advanced further along the road to recovery and will have achieved relative political stability, thus enhancing the assets upon which the Anglo-American powers can rely."

(f) Add "Norway", "Denmark" and the "Benelux countries".

Economic Factors

Soviet Union and Satellites

Industrial Development

Para. 18. The development of the basic heavy industries presently taking place will be paralleled by a large expansion of the Soviet manufacturing industries and a concurrent increase in the capacity for armament manufacture. In spite of the advances she will have made in all fields of industrial development, her industrial efficiency and technical ability will still be considerably lower than that of the allied nations. This will be offset to some degree, however, by the relatively greater emphasis assigned to military production and heavy industry as opposed to consumers' goods.

Para. 19. All the Satellite countries have ambitious economic plans but it is likely that by 1957 only in the cases of Poland, Czechoslovakia, and to a lesser extent Hungary, will these have developed sufficiently for their over-all economic assistance to the Soviet Union under war conditions to be a significant factor. Other Satellites will, of course, be able to furnish important increments to the Soviet potential in certain key items, e.g., Rumanian petroleum.

Consideration should also be given to the industrial development of North China, Manchuria and North Korea.

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Industrial Manpower

Para. 20. It is estimated that by 1957, the total population will have risen to 220,000,000 and that there will be about 46,000,000 employed in the National Economy. There will probably still be between 10 and 15 million forced laborers of low individual productivity who will be useful in providing a large pool of mobile labor.

Para. 21. No comment.

Dependence on Foreign Sources for Key Commodities

Para. 22. It is considered that by 1957 the Soviet Union probably will not be critically deficient in any of the more strategic materials. For most commodities, such as rubber, industrial diamonds, tungsten, tin, cobalt, molybdenum, copper, lead and high alumina refractories, every effort will have been made to build up stockpiles, but the extent to which this program is effective will be determined by shipments of strategic materials, in the interim period, from countries outside the Soviet orbit. Certain Satellites (Czechoslovakia, Poland, and Finland) will continue to require high grade iron ore from Sweden, but if this ore is denied, the Soviet Union will be able to supply the deficit. However, to utilize Soviet iron ores, it would be necessary to install/sintering equipment, which would be both expensive and time consuming, resulting in a reduction of steel production for an estimated three year period.

The situation in copper and lead depends to a great extent upon developments in Yugoslav-Soviet relations.

Transport Capabilities

Para. 23. Railroads. By 1957, technical improvements, the construction of new railroad lines, the increased use of electric traction, and the growing inventory of 4-axle freight cars will have significantly improved the capabilities of Soviet rail transport. Steam locomotives and some 2-axle freight cars will still be constructed in diminishing quantities, but the increase in electric motive power and the gradual change-over to predominantly 4-axle rolling stock will characterize Soviet rail development in the intermediate years. The speed of trains and the quality of passenger service will remain below western standards. Temporary shortages and bottlenecks will continue to develop and the Soviet Union will still be required to ration and allocate freight cars in 1957. Nevertheless the railroads will continue to meet the requirements of industry and the demands of either the military or of an expanding economy.

Para. 24. Motor Transport. No significant development of long distance motor routes is anticipated by 1957. The local road system, however, will have improved and the number of motor vehicles in operation will have been greatly increased. Motor transport will relieve the railroads of a significant amount of short-haul traffic and thereby carry an increased percentage of the total inland freight.

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Para. 25. Civil Air Transport. Despite improvement in other means of internal transport, the demand for civil air transport by Government and industrial officials in 1956-57 will require an increase over present schedules. Progress in industrial development will inevitably result in increased air passenger traffic between key points. Rail-serviced cities in the Central and Eastern USSR, as well as those in the Black Sea and Caucasus areas, will continue to depend on civil air transport for rapid communications with Moscow. Large areas of the USSR, furthermore, will still be without rail connections in 1956-57 and therefore will not be any less dependent upon air services than in 1950. The Northern Sea Route will continue to depend upon air transport for communications.

Improved air services may be anticipated in 1956-57. Four-engine transports will have replaced the IL-12 on long distance routes as well as on other routes where traffic conditions warrant the use of large aircraft. Improved airport facilities and navigational aids will have been installed on the principal routes, and a considerable number of night schedules will be operated. These factors will improve operational conditions and facilitate a greater number of flights through congested centers.

Para. 26. Inland Waterways. By 1957, the inland waterways will have been improved and enlarged. The increased production of river craft and the mechanization of port facilities will permit the inland waterways to carry much more traffic. Although the railroads will thereby be relieved of the transport of a considerable amount of bulk freight, the percentage of the total freight traffic which the inland waterways will carry in 1957 will not increase appreciably.

Para. 27. Coastal Shipping. The text as written implies that coastal shipping is used largely because of insufficient rail capacity. The fact is that coastal shipping is normally cheaper than rail transportation and if both means are available, coastal shipping would be preferred in many cases. It is expected that coastal shipping will have witnessed a decided expansion by 1956-57. The current Soviet shipbuilding program is largely concentrated on small river and coastal craft. On the other hand, while the USSR is making efforts to develop the Northern Sea Route as an important transport link between the Atlantic and Pacific, any decisive increase in the volume of traffic through this area will depend on the success the USSR experiences in acquiring heavy icebreakers, powerful tugs, and reinforced cargo ships from foreign sources. The shipbuilding industry in the USSR is not yet satisfactorily equipped for the adequate production of such units and this deficiency will probably not be eliminated in time to change the situation substantially by 1956-57.

The estimate makes no mention of overseas merchant shipping operations. The relatively weak Soviet merchant fleet in terms of world shipping is a major strategic weakness of the USSR, which could be a severe limiting factor to Soviet offensive operations in global warfare. It would seem therefore appropriate to examine whether this weakness will be eliminated or substantially changed by 1956-57. There are no current indications that the USSR intends to engage seriously in domestic construction of ocean-going vessels or to acquire large quantities of vessels abroad. The domestic yards in the USSR are entirely inadequate, as presently organized, to construct ocean-going tonnage even at a rate sufficient to meet present

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ANNEX "A"

PART II: SOVIET INTENTIONS AND CAPABILITIES - 1956/57

The Problem

Para. 1. No Comment.

Assumptions

Para. 2. No. Comment.

Para. 3. Delete "Yugoslavia" and "Albania".

Para. 4. Add "Yugoslavia" and "Albania".

Delete "Italy". However, the precariousness of the situation in Italy will be determined partly by the role of Yugoslavia. If the Yugoslavs remain neutral it will be difficult for the USSR to mount an early attack on Italy, which in turn might strengthen Italian will to resist.

Delete "Greece". The improvement already seen for 1950 should remove Greece from the "precarious" category.

Para. 5. Add "Norway", "Denmark", and "Iceland".

Suggest consideration of adding the parenthetical phrase: "with the possible exception of French Indo-China and the Netherlands East Indies".

Para. 6. Add "Italy" and "Greece".

The situation with respect to Greece should be even better in 1956/57, although it will still have its major problems and will depend upon a certain amount of outside assistance in both the military and economic fields. Such assistance will, of course, considerably enhance the Greek assets upon which the Anglo-American Powers can rely under the conditions specified in this paper.

Delete "Norway".

Para. 7. Delete "Denmark" and "Iceland".

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Para. 8. Substitute the following:

"The Arab World, including North Africa, although possibly in a state of political turmoil largely owing to the effect of Communist agitation on endemic economic and social ills, or as a result of further friction with Israel, would be generally well disposed toward the Anglo-American Powers.

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